

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7677
BILL NUMBER: SB 410

DATE PREPARED: Jan 8, 1999
BILL AMENDED:

SUBJECT: Transfers obligation for child welfare to state.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		15,000,000	31,000,000
State Expenditures		100,000,000	210,000,000
Net Increase (Decrease)		(85,000,000)	(179,000,000)

LOCAL IMPACT	CY 1999	CY 2000	CY 2001
Local Revenues		(244,000,000)	(270,000,000)
Local Expenditures		(244,000,000)	(270,000,000)
Net Increase (Decrease)		0	0

Summary of Legislation: This bill provides that the state shall pay the costs paid by county property taxes from the Family and Children Fund including the costs of caring for children who are adjudicated to be children in need of services or delinquent children (except for probation, guardian ad litem, and court appointed special advocate services), for wards of the county or state, or for foster children, costs for informal adjustments, service referral agreements and adoption assistance, and costs for certain educational services.

The bill repeals the statute that establishes a county Family and Children's Fund to pay for these expenses. It also requires the Division of Family and Children to apply for available federal funds to help defray the state's costs of placement of children in these facilities.

Effective Date: January 1, 2000; March 1, 2001.

Explanation of State Expenditures: Beginning January 1, 2000, the State Division of Family and Children will be responsible for expenses related to child welfare services. Based on the local revenues raised for the county and Family Children's Fund purpose, these expenses are estimated at \$244 million in CY 2000, and \$270 million in CY 2001 or \$122 million in FY 2000 (½ year) and \$257 million in FY 2001.

The state will save the amount of property tax replacement credit (PTRC) and homestead credit that is currently paid to counties for the Family and Children's Fund. The PTRC and homestead credit savings is expected to amount to approximately \$45 million in CY 2000 and \$50 million in CY 2001 or \$22 million in FY 2000 (½ year) and \$47 million in FY 2001.

The state will also receive excise tax and financial institutions tax (FIT) distributions from the county. The amount of excise tax and FIT that the state would receive is equal to the amount that would have been deposited into the county Family and Children's Fund had it not been repealed by this proposal. The excise and FIT transfer to the state is expected to amount to approximately \$29 million in CY 2000 and \$32 million in CY 2001 or \$15 million in FY 2000 (½ year) and \$31 million in FY 2001.

The net additional state cost (additional cost less excise tax, FIT, homestead credit, and PTRC) is estimated at \$170 million in CY 2000, and \$188 million in CY 2001. On a fiscal year basis, the net additional state expense is estimated at **\$85 million in FY 2000 and \$179 million in FY 2001.**

Explanation of State Revenues: See State Expenditures.

Explanation of Local Expenditures: Under this proposal, counties would no longer have expenses for Child welfare services. The revenues expected to be deposited into the Family and Children's Fund in CY 1998 amounts to approximately \$200.3 million. The \$200.3 million includes about \$175.6 million from gross property tax, approximately \$23.3 million from excise tax, and approximately \$1.4 million from the FIT.

The Family and Social Services Administration estimates that property tax levies for the Family and Children's Fund will amount to about \$220 million in CY 1999, \$215 million in CY 2000, and \$238 million in CY 2001. Current estimates are that the Family and Children's Fund levy will grow at approximately 5% per year after CY 2001. When the excise tax and FIT that the fund receives are added to the levy amount, the reduction in local expenditures under this proposal is estimated at **\$244 million in CY 2000, and \$270 million in CY 2001.**

Explanation of Local Revenues: This bill eliminates the county Family and Children's Fund. The fund's levy will also be eliminated. The revenue reduction from the elimination of the Family and Children's Fund (including gross property tax levies, excise tax, and FIT) is estimated at **\$244 million in CY 2000 and \$270 million in CY 2001.** These revenues include gross property tax, excise tax and FIT.

Property taxpayers' net levies would be reduced by approximately \$170 million in CY 2000, and \$188 million in CY 2001. The net levy amount takes PTRC and homestead credit into consideration. The net tax rate reduction is estimated to be \$0.3058 in CY 2000 and \$0.3285 in CY 2001.

State Agencies Affected: Division of Family and Children, Family Social Services Agency; State Board of Tax Commissioners.

Local Agencies Affected: Counties.

Information Sources: Division of Family and Children; Local Government Database.